

PARI-MUTUEL WAGERING

STATE OF NEVADA
GAMING CONTROL BOARD
INTERNAL AUDIT COMPLIANCE CHECKLIST

PARI-MUTUEL WAGERING
WALK-THROUGH PROCEDURES

For the walk-through procedures, indicate (by tickmark) whether the procedures were confirmed through inquiry of licensee personnel, via observation of procedures, or examination of a completed document.

Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary. **Note W/P Ref.:** _____

All “no” and “n/a” answers require an explanation and disposition (e.g., approval of alternative procedure granted by the Board, including computerized applications). All exceptions noted should be carried to the internal auditor’s report/summary of findings for timely follow-up. **Note W/P Ref.:** _____

The bolded number following each question refers to the applicable regulation.

Scope

This checklist must be completed once in each fiscal year.

MICS Variations and Regulation Waivers

Obtain copies of MICS variation requests and GCB correspondence regarding such requests from appropriate property personnel. Review to determine status of evidence of any waivers or alternative requirements imposed by granted variations. Modify and/or perform additional procedures as applicable.

Associated Equipment

Determine if field trial or final approval has been received for all associated equipment used in pari-mutuel wagering. For all unreported associated equipment, cite violations of **Regulation 14.290**. If any associated equipment is currently on field trial, it is not necessary to perform a walk-through of the procedures in effect utilizing the field trial letter. For “approved” associated equipment, utilizing the final approval letter, perform a walk-through of any **special requirements** imposed on the use of the associated equipment including any additional controls which were included in your written system of internal control.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

Note: Variations/waivers and associated equipment need only be scheduled once. Refer to the work paper where the details are scheduled and complete the last two columns of the above grid if walk-through procedures are affected.

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NOTE: It is also necessary to complete the walk-through procedures checklist for the Race & Sports Department for all pari-mutuel books.

WARNING: This checklist addresses pari-mutuel race wagering. For those auditing pari-mutuel sports wagering, design walk-through questions to determine compliance with **Regulation 26B**.

	YES	NO	N/A	COMMENT, W/P REFERENCE	PERSON INTERVIEWED/ TITLE
1. Complete the CPA MICS Compliance Checklist for Pari-Mutuel Wagering in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines".					
2. Are house rules governing off-track pari-mutuel wagering transactions conspicuously displayed? Regulation 26A.040(11)					
Betting Ticket and Equipment Standards					
3. Does the book accept intrastate pari-mutuel wagers? Regulation 26A.020(7)					

E = Confirmed via examination/review
I = Confirmed via inquiry
O = Confirmed via observation

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4. If yes:					
a. Does the book prohibit the <u>acceptance</u> of intrastate pari-mutuel wagers from any book, affiliate of the pari-mutuel book, or a systems operator providing the intrastate common pari-mutuel system? Regulation 26A.040(13)					
b. Does the book prohibit the <u>placing</u> of layoff wagers into an intrastate common pari-mutuel pool? Regulation 26A.040(13)					
5. For intrastate common pari-mutuel pools, does the total percentage of off-track pari-mutuel wagers that is deducted as a commission on wagers not exceed 25 percent? Regulation 26A.150(2)					
6. Does the book NOT :					
a. Accept from a bettor, directly or indirectly, less than the full face value of an off-track pari-mutuel wager? Regulation 22.125(1)(a)					

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b. Agree to refund or rebate to a bettor any portion or percentage of the full face value of an off-track pari-mutuel wager? Regulation 22.125(1)(b)					
c. Increase the payoff of, or pay a bonus on, a winning off-track pari-mutuel wager? Regulation 22.125(1)(c)					
d. Attempt to provide a benefit to the bettor by offering a wagering proposition or set or move its wagering odds, lines or limits? Regulation 22.125(2)					
e. Set lines or odds, or offer wagering propositions, designed for the purpose of ensuring that a patron will win a wager or series of wagers? Regulation 22.125(4)					
Surveillance 7. Is adequate video surveillance provided over the pari-mutuel area? Regulation 5.160(9)					

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	YES	NO	N/A	COMMENT, W/P REFERENCE	PERSON INTERVIEWED/ TITLE
<u>Procedures Modified or Added</u>					

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PARI-MUTUEL WAGERING

TESTING PROCEDURES

OBJECTIVES: To determine if controls for pari-mutuel wagering are adequate to ensure book revenues are accurately stated in financial records and comply with the MICS.

PREPARATION: Review the MICS variations and regulation waivers scheduled during the pari-mutuel walk-through procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedure modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the "Walk-through Procedures Checklist".

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

SCOPE: Unless otherwise indicated, select 1 day per year.
Indicate Test Date: _____

COMPLETION: Using your own work papers, document the completion of the procedures listed below. All exceptions noted should be carried to the internal auditor's report/summary of findings for timely follow-up.
Note W/P Ref.: _____

WARNING: This checklist addresses pari-mutuel race wagering. For those auditing pari-mutuel sports wagering, design testing procedures to determine compliance with **Regulation 26B**.

	W/P Reference/Comments	Auditor's Initials/Date
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow-up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary.		

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2. Select one day of racing at one track and recompute the commission for three races by obtaining the rounding direction for that particular meet and performance from the systems operator, then apply the appropriate percentage, by race and pool (win, place, show, etc. or exotic wagers), to the applicable net sales figure on the Sessions Sales Summary. Total the individual commission amounts for the race and compare to commission totals on the Reconciliation Report.		
If the licensee posts net sales, commissions and breakage amounts to the revenue journal daily, do steps 3 and 4. If such amounts are posted monthly, N/A these steps.		
3. Trace the net sales, commissions and breakage amounts from the Reconciliation Report to the revenue journal.		
4. Foot the daily commission and breakage amount in the revenue journal.		
5. Trace the monthly commission and breakage amounts from the revenue journal to the general ledger.		
6. Trace the net sales figure from the Reconciliation Report to the systems operator weekly Track Fee Report. Recompute the systems operator weekly Track Fee Report for accuracy.		
7. Trace the total weekly track fees to the General Ledger.		
8. Trace the total deposit or funds owed per the Reconciliation Report to the bank statement.		
9. Trace teller (writer/cashier) cash turn-in to the Teller Balance Report.		
10. Review the Exception History Report for propriety of transactions and unusual entries.		

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11. Review the procedures regarding refunds/additional payments of track fees and any unpaid winning tickets purged from the systems operator. Reconcile these amounts to the Pari-mutuel Race Revenue Journal or other appropriate accounting document to verify proper recording of revenue.		
12. Review the support to the NGC tax reports (e.g., accounting records, spreadsheets or general ledger accounts) to ensure that revenue is properly calculated and reported as follows: total commission on wagers, plus positive breakage, plus unpaid winners pursuant to Regulation 26A.040(12) , less negative breakage, less track fees. Trace the win/loss from the monthly revenue journal to that reported on the NGC tax reports. Examine general ledger accounts for any activity that should affect reported revenue.		
For the day selected perform the following steps 13-15.		
13. Foot the winning tickets and trace the total to the Teller Detail Report.		

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<p>14. For 10 of the tickets selected above, perform the following:</p> <ul style="list-style-type: none"> a. Match customer copy of ticket to the Audit Tape Report. b. Recalculate and verify proper payout. c. Trace ticket and payout amount to the Cashed Ticket Report. d. Trace winner of event to the Results Summary. e. Examine the ticket for the paid designation, amount of payment and date. f. Trace the winner to an independent source to verify the winner and pay amount. g. Trace the computer generated date and time on the ticket to the independent source to determine if past-posting has occurred. 		
<p>15. Select a sample of 5 canceled (VOID) tickets and perform the following:</p> <ul style="list-style-type: none"> a. Trace the ticket to the Exception Report. b. Verify that the ticket was not voided after the start of the event. c. Verify that the ticket contains the void designation and signatures of the writer/cashier and supervisor. 		
<u>Procedures Modified or Added</u>		